

Message Text

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ACTION OPIC-06

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E.O. 11652: N/A

TAGS: EFIN, TW

SUBJ: FOREIGN INVESTMENT IN ROC

1. FOREIGN INVESTMENT APPROVALS HAVE BEEN DECLINING SHARPLY SINCE REACHING A PEAK OF US\$248.9 MILLION IN 1973. APPROVALS WERE DOWN BY 23.9 PERCENT TO US\$189.4 MILLION IN 1974 AND DROPPED BY 37.6 PERCENT TO US\$118.2 MILLION IN 1975. ALL INDICATIONS POINT TO A FURTHER DROP THIS YEAR--PROBABLY TO ABOUT US\$100 MILLION.

2. THE ROC FOREIGN INVESTMENT COMMISSION (FIC) HAD PROJECTED A LEVEL OF US\$120 MILLION FOR 1976 BUT OFFICIALS NOW BELIEVE THAT THIS FIGURE MAY BE TOO HIGH. AN FIC REPORT JUST ISSUED SHOWS APPROVALS IN FIRST HALF OF 1976 AT US\$45.8 MILLION (SEE TABLE BELOW), AND OFFICIALS PRIVATELY PREDICT THAT SECOND HALF APPROVALS WILL BE NO MORE THAN US\$60 MILLIONB

3. THE COMPARATIVELY LOW LEVEL OF APPROVALS THIS YEAR DOES NOT APPEAR TO BE THE RESULT OF A LACK OF CONFIDENCE OR GENERAL LOSS OF INTEREST ON PART OF FOREIGN INVESTORS (FIC HAS TURNED DOWN ABOUT US\$90 MILLION OF PROSPECTIVE INVESTMENT THIS YEAR). THERE APPEAR TO BE TWO BASIC CAUSES, ONE INTERNAL AND ONE EXTERNAL. U.S. INVESTORS--WHO UNTIL THIS YEAR WERE LARGEST SOURCE OF FOREIGN INVESTMENT IN ROC--SEEM TO BE CONCENTRATING MUCH MORE ON EXPANSION AT HOME THAN ON ADDITIONAL FACILITIES OVERSEAS. THIS MAY ALSO BE TRUE OF INVESTORS FROM OTHER COUNTRIES, INTERNALLY, ROC

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IS BEGINNING TO SHIFT FROM A PERIOD OF RAPID EXPANSION

OF LABOR-INTENSIVE INDUSTRIES (WHICH UP TO NOW HAVE
ATTRACTED BULK OF FOREIGN INVESTMENT) TO A PERIOD OF
ENCOURAGEMENT OF CAPITAL-INTENSIVE AND HIGH-TECHNOLOGY
INDUSTRIES. AS THIS TRANSITION PROGRESSES, FOREIGN
INVESTMENT CAN BE EXPECTED TO PICK UP.

4. FOREIGN INVESTMENT APPROVALS IN FIRST HALF PERIODS
FOR 1975 AND 1976 ARE AS FOLLOWS:

	TOTAL	U.S.
JAN-JUNE 1975	42,256	12,105
JAN-JUNE 1976	45,783(PLUS8.3)	9,669 (MINUS20.1)

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